

2016

Our Vision for Students



Congressman Tom Reed
23rd District, New York

Table of Contents

A Message from Tom Reed.....	1
Providing Immediate Relief.....	2
Bridging the Gap	4
Encouraging Sustainable Solutions	6
Conclusion.....	8
Appendix – References to Legislation.....	10

A Message from Tom Reed

College costs and student debt are out of control. This is a trillion dollar problem that is crippling an entire generation of Americans.

The average cost of attending a private four-year college is quickly approaching \$50,000 per year. There are now 43.3 million Americans holding a total of **\$1.23 trillion** in student loan debt, and college graduates face the highest average student debt in history: **\$37,172**.

Over the last year, we have visited numerous high schools and college campuses. These visits provided us with the opportunity to meet local students and listen to their concerns. The primary theme that emerged from these conversations is the rising costs of tuition pose a seemingly insurmountable obstacle that young people feel they are unable to overcome. Nearly every one of the students articulated serious concerns about their ability to meet the financial burdens of attending college without burying their futures under mountains of debt.



Tom Reed, NY-23

We care about ensuring that all students have the opportunity to reach their fullest potential. It is only right that students have access to affordable education; it is simply not fair that our sons and daughters are forced to mortgage their futures in order to attend college. That is why we are taking action to alleviate their concerns, by ensuring that colleges offer direct need-based financial aid to students from working and middle class families.

“Our Vision for Students” outlines policy solutions to empower students from middle class families to earn college degrees and secure quality jobs without accumulating massive amounts of student loan debt.

We look forward to continuing this conversation and encourage you to contact our offices to share your ideas on how we can work together to make college affordable for more Americans. Please call our Corning office at (607) 654-7566, visit us online at Reed.House.gov, and connect with us on social media at facebook.com/RepTomReed and [@RepTomReed](https://twitter.com/RepTomReed) on Twitter.

Sincerely,

A handwritten signature in black ink, appearing to be 'Tom Reed', written in a cursive style.

Tom Reed
Member of Congress

Providing Immediate Relief

Colleges must be held accountable for the high costs of education. In the past ten years the total cost of attending a private four-year institution has risen almost twice as quickly as inflation. This burden has been put on the backs of the students and their families who can least afford it. This is unacceptable. There are a number of actions that Congress can take **right now** to provide immediate relief to students and ensure that schools are doing their fair share to keep costs down. Our solutions include:

1. Endowment Reform

Many colleges have amassed endowment funds in the *billions* of dollars, in part by taking advantage of tax exemptions that allow the institutions to not pay taxes on their investment incomes. The purpose of these tax exemptions is to encourage colleges to distribute the profits from their investments to help offset the costs of attendance. For some schools, unfortunately, this has not always been the case.



That is why we developed the *Reducing Excessive Debt and Unfair Costs of Education (REDUCE) Act*¹. This legislation ensures that colleges with large endowment funds use the profits from their investments to help combat the burden of rising costs of education.

The REDUCE Act requires colleges with endowment funds in excess of \$1 billion to use at least 25 percent of their investment gains to reduce the costs of attendance for students from middle and working class families. This provision will specifically help students who often fail to qualify for grants or federal aid due to their families' income levels.

For those colleges that fail or refuse to reinvest in their students, an immediate 30 percent tax would be applied to their investment income with the possibility of a 100 percent tax for continuing violations if uncorrected. In addition, the failure to comply would result in the school losing their ability to receive charitable contributions. Schools must begin to make college affordability a larger priority.

2. Student Debt Interest Rate Refinancing

Student debt repayment is a significant issue affecting students, as one in seven defaults on their federal student loan payments within three years of graduating from college. Unlike families who can refinance their mortgages and car loans, students who have borrowed for their education in high interest rate environments do not have the ability to refinance their loans. This hurts students by precluding them from taking advantage of lower interest rates.

We propose allowing students to refinance their government loans through legislation like the *Student Loan Refinancing and Recalculation Act*². It is only right that young people who are working hard to pay off their student debt have the opportunity to refinance their loans when interest rates decrease. This solution will have a positive short-term impact by helping students to save money and pay off their loans more quickly.

3. Dual Enrollment

Students who earn college credits while in high school are often able to complete their college education more quickly, while accumulating less student debt.

We should encourage colleges to partner with local high schools to provide college level courses to high school students. That is why we co-introduced, with Congressman Jared Polis (D-CO), the *Making Education Affordable and Accessible Act*.³

This legislation authorizes federal grant programs that support academic institutions that provide college credits to high school students. It specifically prioritizes colleges that serve students from low-income families, rural communities, and individuals who are first in their families to attend college.

4. Reauthorize the Perkins Loan Program

The Federal Perkins Loan program offers schools a revolving source of capital to fund low-interest loans to students who need assistance the most. These loans, which feature a fixed 5% interest rate, only start accruing interest once the student begins repaying the



Tom Reed addressed Horseheads High School students during an Advanced Placement History class. Reed discussed the importance of getting college costs under control with college bound students.

principal. The money then returns back to the schools' Perkins Loan funds and becomes available for new loans to students.

This program is an excellent market-based solution that gives schools the flexibility to offer targeted loans to students who need assistance. That is why we supported the *Federal Perkins Loan Program Extension Act*⁴, which authorized the program through fiscal year 2017. This was an important step in the right direction, but we must continue to work toward a more permanent solution.

5. Pell Grants

The Federal Pell Grant Program is the largest single source of federal grant aid for college education. It provided 8.2 million students with \$31 billion in financial aid during fiscal year 2015. The majority of the grant recipients (74%) had a total family income at or below \$30,000.

The *Flexible Pell Grant for 21st Century Students Act*⁵ allows eligible students to receive Pell Grants during the summer. This will enable students to fast-track their education and graduate early, which will save them thousands of dollars in tuition costs and room-and-board charges.

Bridging the Gap

Colleges must take proactive steps toward greater transparency. We must hold these institutions accountable to their students by requiring them to provide detailed information on salaries and operating expenditures. By forcing more transparency, competitive pressures will reduce the overall cost of attendance. Our solutions include:

1. Cost Transparency

An important component of controlling college costs includes updating the reporting requirements for tax-exempt educational institutions. The *Accountability of College Costs through Exposing School Spending (ACCESS) Act*⁶ requires colleges, as a condition of maintaining their ability to receive charitable tax deductions, to report information not currently required by Form 990. Also, these Internal Revenue Service (IRS) reporting reforms will make existing information more readily available for public review and understanding. This proposal requires that



Tom Reed held a town hall meeting at Cornell University to discuss college affordability and listen to the concerns of students.

this information is readily accessible online on the school’s website, where it can be reviewed by the public. This will increase transparency regarding how colleges manage their finances and ensure the tax exemptions are being used for legitimate purposes that actually benefit students.

2. Salary Transparency

According to the College and University Professional Association for Human Resources, more than sixty percent of college presidents, at both private and public institutions, receive all or part of their housing for free; more than seventy percent receive a vehicle; and more than a third receive free memberships to exclusive social clubs.

These perks are often extended to other administrators, such as chief development officers, vice presidents, and athletic directors. Over the past four years, average salaries have increased by approximately 10 percent. It is simply not right that students and families are forced to pick up the tab for these extravagant expenditures that do not directly benefit students.

In addition, information regarding fees paid to investment advisors and the institutions’ actual investments – including risk profiles and expected rates of return – should be available to the public. By requiring colleges to provide transparent financial information through the *ACCESS Act*, we can hold these institutions accountable and ensure they are using tuition money for purposes that benefit students.

3. Loan Repayment Flexibility



Tom Reed met with students from the State University of New York (SUNY) system to discuss college costs.

It is critically important that a steady flow of qualified and educated workers enter our domestic workforce every year. For this to become a reality, we must encourage students to enter into fields that are struggling to fill positions to meet the needs of America’s economy.

The federal government currently provides attractive loan repayment policies for students entering the medical field

to work in high-need and under-served regions. The NURSE Corps Loan Repayment Program offers support for nurses that work in underserved communities. Students that go on to teach

math, science, or foreign languages in “teacher shortage areas” can have all of their Perkins Loan cancelled.

The *STEM K to Career Act*⁷ provides loan forgiveness to teachers who teach science, technology, engineering, or mathematics (STEM) in elementary or secondary schools in low-income areas. We support the expansion of these types of policies to cover additional professions providing relief to underserved and targeted workforce development needs for all of America.

Encouraging Sustainable Solutions

In order to truly drive down the costs of education, schools must actively plan for the future and demonstrate they are being fiscally responsible. Colleges should be rewarded for implementing cost containment plans and facilitating successful student transitions into the workforce. Our solutions include:

1. Cost Containment Plans

Schools should submit cost containment plans, including those required under the *Promoting Lifelong Accountability Now! (PLAN) Act*⁸. These plans are designed to ensure the costs of tuition increase at a slower rate than inflation. These plans must be submitted to the Department of Education every five years. Schools that manage to meet their goal and stay below inflation will be rewarded and penalized if the college fails to implement their plans or reduce tuition. These plans would be available to the public, in an effort to demonstrate which schools are serious about keeping costs down and to facilitate the sharing of best practices between institutions.



2. Online and Alternative Forms Learning

The quality and quantity of online course offerings have significantly increased in the past decade. Students are now able to receive the same quality education online as they would in-person, but at more affordable rates. For example, Georgia Tech University offers an online Master’s degree program in computer science for a total cost of roughly \$7,000 – a fraction of the cost of the equivalent on-campus program.

Online courses are more affordable because the schools are able to avoid many of the costs associated with the traditional “brick and mortar” programs. We should support

these online programs as a method of providing access to affordable education to a wider audience – including students from rural areas and those with full-time jobs.

Similarly, not all students should attend traditional four year schools. We must support apprenticeship and mentoring programs and encourage alternative family sustaining career paths that do not require a college degree. These programs will provide valuable on-the-job training and education for people entering advanced manufacturing fields. These hands-on learning programs allow prospective employees to gain skills from experienced workers already in these fields. This helps to ease the transition and smooth out the learning curve that many new employees face upon entering new fields of employment. Policy proposals should mirror the *Train the Future Act*⁹ and the *Leveraging and Energizing America's Apprenticeship Programs Act*¹⁰, which encourage employers who take on apprentices and engage in mentorship programs.

3. Reward Outcomes

Schools with large numbers of students who graduate on time, are hired within their fields of study, and begin to repay their loans on-time should be rewarded. Colleges must have a stake in the post-graduation successes of their customers – students. In addition, we should reward schools that follow their cost containment plans and take proactive measures to reign-in outrageous, excessive, and unnecessary costs.



The *College Affordability and Innovation Act of 2015*¹¹ offers a pilot program for schools to develop new and innovative methods of teaching students. Schools that fail to meet affordability, accessibility, and value accountability standards risk losing a percentage of their title IV funds that include Federal Pell Grants and Perkins Loan. The retracted funds are then made available in the form of competitive grants to schools that meet or exceed the accountability standards. This is the direction schools need to head towards in order to stay competitive and offer high-quality, affordable education.

4. Align Interests of Students and Colleges

When students win, colleges win. It should be in the best interest of colleges that students immediately, upon graduation, enter the workforce in the field of their study. To encourage stronger outcomes for students, Colleges should use new disruptive methods of financing education. **Equity financing** allows students to sign away a certain percentage of their income for a period of time after graduation in exchange for reduced or no cost tuition. This method of financing their education will improve the efficiency of colleges by promoting high-quality, low-cost programs that put students into family sustaining jobs after graduation.

Conclusion

We remain committed to ensuring that students have access to quality and affordable education. We firmly believe that enacting the policies outlined above will be an important step toward achieving our goal of making college affordable for more Americans.

We must all make a concerted effort to ensure our sons and daughters have every opportunity to succeed. Too many students are graduating from college with tens of thousands – even hundreds of thousands – of dollars in debt and degrees that offers them few real-world job opportunities. That is not right; we can and must do better.

By working together, we are confident that we can change the current state of education in our country for the better. We hope you will join us in this effort.





Geneva

433 Exchange Street
Geneva, NY 14456
(315) 759-5229

Corning

89 West Market Street
Corning, NY 14830
(607) 654-7566

Olean

1 Bluebird Square
Olean, NY 14760
(716) 379-8434

Jamestown

2 East 2nd Street
Suite 300
Jamestown, NY 14701
(716) 708-6369

Washington DC

2437 Rayburn HOB
Washington, DC 20515
(202) 225-3161

Ithaca

401 E. State Street,
Suite 410
Ithaca, NY 14850
(607) 222-2027



Reed.House.gov



Facebook.com/RepTomReed/



[@RepTomReed](https://twitter.com/RepTomReed)

Appendix – References to Legislation

¹ **Reducing Excessive Debt and Unfair Costs of Education**

Rep. Reed (R-NY)

Current Status: Pending Introduction

Page 2 – Providing Immediate Relief

² **H.R. 5274 [114th] – Student Loan Refinancing and Recalculation Act**

Rep. Garamendi (D-CA)

Current Status: Referred to the House Education and the Workforce Committee

Page 3 – Providing Immediate Relief

³ **H.R. 4594 [114th] - Making Education Affordable and Accessible Act**

Rep. Polis (D-CO)

Current Status: Referred to the House Education and the Workforce Committee

Page 3 – Providing Immediate Relief

⁴ **H.R. 3594 [114th] – Federal Perkins Loan Program Extension Act of 2015**

Rep. Bishop (R-MI)

Current Status: Became law on December 18, 2015

Page 4 – Providing Immediate Relief

⁵ **H.R. 3180 [114th] - Flexible Pell Grant for 21st Century Students Act**

Rep. Stefanik (R-NY)

Current Status: Referred to the House Education and the Workforce Committee

Page 4 – Providing Immediate Relief

⁶ **Accountability of College Costs through Exposing School Spending Act**

Rep. Reed (R-NY)

Current Status: Pending Introduction

Page 4 – Bridging the Gap

⁷ **H.R. 2082 [114th] - STEM K to Career Act**

Rep. Swalwell (D-CA)

Current Status: Referred to the House Ways and Means

Page 6 – Bridging the Gap

⁸ **Promoting Lifelong Accountability Now! Act**

Rep. Reed (R-NY)

Current Status: Pending Introduction

Page 6 – Encouraging Sustainable Solutions

⁹ **H.R. 5761 [114th] - Train the Future Act**

Rep. Bera (D-CA)

Current Status: Referred to the House Ways and Means

Page 7 – Encouraging Sustainable Solutions

¹⁰ **H.R. 5761 [114th] - Leveraging and Energizing America’s Apprenticeship Programs Act**

Rep. Reed (R-NY)

Current Status: Referred to the House Ways and Means
Page 7 – Encouraging Sustainable Solutions

¹¹ **H.R. 5761 [114th] - College Affordability and Innovation Act of 2015**

Rep. Himes (D-CT)

Current Status: Referred to the House Education and the Workforce Committee

Page 7 – Encouraging Sustainable Solutions